



TOWNSHIP OF RILEY
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Riley	County St. Clair
Audit Date March 31, 2005	Opinion Date July 20, 2005	Date Accountant Report Submitted to State: September 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RILEY
St. Clair County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Building Permit Fund	18
Budgetary Comparison Schedule – Waste Disposal Fund	19
Other supporting information:	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	20
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	21

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 20, 2005

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Riley, St. Clair County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Riley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Riley, St. Clair County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Riley covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$442,321.69 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$573,877.93 from governmental activities. Governmental activities had a \$30,404.49 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Ordinance Fund, Building Permit Fund, Building Capital Project Fund, Waste Disposal Fund, and the Current Tax Collection Fund.

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Building Permit Fund, Waste Disposal Fund, and the Building Capital Project Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

We continue to pay on our long-term debt. The Township issued bonds in the amount of \$400,000.00 on July 1, 2002, for the purpose of paying part of the cost to acquire, renovate, furnish, and equip a building and land to serve as new Township offices.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$71,206.54 and fire protection which incurred expenses of \$48,785.73.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$10,000.00 of principal on the general obligation limited tax bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents 45% of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 810-392-3585 or the Township Treasurer at 810-392-2326.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	347 500 22
Taxes receivable	<u>16 086 22</u>
Total Current Assets	<u>363 586 44</u>
NON-CURRENT ASSETS:	
Capital Assets	495 661 91
Less: Accumulated Depreciation	<u>(36 926 66)</u>
Total Non-current Assets	<u>458 735 25</u>
TOTAL ASSETS	<u>822 321 69</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>380 000 00</u>
Total Non-current Liabilities	<u>380 000 00</u>
Total Liabilities	<u>380 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	78 735 25
Unrestricted	<u>363 586 44</u>
Total Net Assets	<u>442 321 69</u>
TOTAL LIABILITIES AND NET ASSETS	<u>822 321 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 464 60	-	(4 464 60)
General government	218 285 69	44 779 73	(173 505 96)
Public safety	119 731 78	69 350 20	(50 381 58)
Public works	208 421 24	144 655 50	(63 765 74)
Culture and recreation	34 876 61	11 713 72	(23 162 89)
Interest on long-term debt	18 502 50	-	(18 502 50)
	<u>604 282 42</u>	<u>270 499 15</u>	<u>(333 783 27)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			73 475 48
State revenue sharing			205 483 00
Interest			4 548 02
Miscellaneous			<u>19 872 28</u>
Total General Revenues			<u>303 378 78</u>
Change in net assets			(30 404 49)
Net assets, beginning of year			<u>472 726 18</u>
Net Assets, End of Year			<u>442 321 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Building Permit</u>	<u>Waste Disposal</u>
<u>Assets</u>			
Cash in bank	220 474 63	5 122 19	99 744 12
Taxes receivable	6 576 46	-	9 509 76
Due from other funds	<u>2 342 50</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>229 393 59</u></u>	<u><u>5 122 19</u></u>	<u><u>109 253 88</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>229 393 59</u>	<u>5 122 19</u>	<u>109 253 88</u>
Total fund equity	<u><u>229 393 59</u></u>	<u><u>5 122 19</u></u>	<u><u>109 253 88</u></u>
Total Liabilities and Fund Equity	<u><u>229 393 59</u></u>	<u><u>5 122 19</u></u>	<u><u>109 253 88</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
19 816 78	345 157 72
-	16 086 22
-	<u>2 342 50</u>
<u>19 816 78</u>	<u>363 586 44</u>
-	-
-	-
<u>19 816 78</u>	<u>363 586 44</u>
<u>19 816 78</u>	<u>363 586 44</u>
<u>19 816 78</u>	<u>363 586 44</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	363 586 44
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	495 661 91
Accumulated depreciation	(36 926 66)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(380 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>442 321 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Building Permit</u>	<u>Waste Disposal</u>
Revenues:			
Property taxes	73 475 48	-	-
Licenses and permits	10 025 00	59 447 20	-
State revenue sharing	205 483 00	-	-
Charges for services	53 506 45	-	-
Interest	3 635 12	85 96	680 58
Special assessments	2 865 00	-	144 655 50
Miscellaneous	19 872 28	-	-
Total revenues	<u>368 862 33</u>	<u>59 533 16</u>	<u>145 336 08</u>
Expenditures:			
Legislative:			
Township Board	4 464 60	-	-
General government:			
Supervisor	14 859 28	-	-
Elections	4 930 23	-	-
Assessor	23 301 41	-	-
Clerk	18 847 34	-	-
Board of Review	1 592 47	-	-
Treasurer	23 283 38	-	-
Building and grounds	12 353 16	-	-
Unallocated	109 399 14	-	-
Public safety:			
Fire protection	48 785 73	-	-
Protective inspection	-	62 108 05	-
Planning and zoning	8 838 00	-	-
Public works:			
Drains	2 988 55	-	-
Highways and streets	71 206 54	-	-
Street lights	3 487 23	-	-
Sanitation	-	-	130 738 92
Culture and recreation:			
Parks and recreation	31 841 48	-	-
Debt service	28 502 50	-	-
Total expenditures	<u>408 681 04</u>	<u>62 108 05</u>	<u>130 738 92</u>
Excess (deficiency) of revenues over expenditures	(39 818 71)	(2 574 89)	14 597 16
Fund balances, April 1	<u>269 212 30</u>	<u>7 697 08</u>	<u>94 656 72</u>
Fund Balances, March 31	<u><u>229 393 59</u></u>	<u><u>5 122 19</u></u>	<u><u>109 253 88</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	73 475 48
-	69 472 20
-	205 483 00
-	53 506 45
146 36	4 548 02
-	147 520 50
-	19 872 28
<u>146 36</u>	<u>573 877 93</u>
-	4 464 60
-	14 859 28
-	4 930 23
-	23 301 41
-	18 847 34
-	1 592 47
-	23 283 38
-	12 353 16
-	109 399 14
-	48 785 73
-	62 108 05
-	8 838 00
-	2 988 55
-	71 206 54
-	3 487 23
-	130 738 92
-	31 841 48
-	28 502 50
<u>-</u>	<u>601 528 01</u>
146 36	(27 650 08)
<u>19 670 42</u>	<u>391 236 52</u>
<u>19 816 78</u>	<u>363 586 44</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (27 650 08)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (12 754 41)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 10 000 00

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (30 404 49)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Riley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for specific construction projects of the Township.

Fiduciary Funds

The Current Tax Collection and Ordinance Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was .7504 mills, and the taxable value was \$97,926,566.00.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Furniture and equipment	7-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$458,735.25.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>393 331 07</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	176 583 49
Uninsured and Uncollateralized	<u>218 391 69</u>
Total Deposits	<u>394 975 18</u>

The Township of Riley did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	190 309 91	-	-	190 309 91
Buildings	274 973 00	-	-	274 973 00
Equipment	<u>30 379 00</u>	<u>-</u>	<u>-</u>	<u>30 379 00</u>
Total	495 661 91	-	-	495 661 91
Accumulated Depreciation	<u>(24 172 25)</u>	<u>(12 754 41)</u>	<u>-</u>	<u>(36 926 66)</u>
Net Capital Assets	<u>471 489 66</u>	<u>(12 754 41)</u>	<u>-</u>	<u>458 735 25</u>

Note 5 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Building Permit Fund Activity:			
Protective inspection	58 785 00	62 108 05	3 323 05

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Bonds Payable	<u>390 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>380 000 00</u>

Note 7 – 2002 General Obligation Limited Tax Bonds Payable

On July 1, 2002, the Township of Riley issued bonds in the amount of \$400,000.00 for the purpose of paying part of the cost to acquire, renovate, furnish and equip a building and site to serve as new Township offices. The Township has pledged its limited tax full faith and credit for the prompt payment of the bonds. The bonds bear interest at rates that vary from 4.2% to 6.2% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2005, was \$380,000.00.

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
4-1-06	10 000 00	4.20
4-1-07	15 000 00	4.20
4-1-08	15 000 00	4.20
4-1-09	20 000 00	4.20
4-1-10	20 000 00	4.20
4-1-11	20 000 00	4.20
4-1-12	20 000 00	4.25
4-1-13	25 000 00	4.35
4-1-14	25 000 00	4.50
4-1-15	25 000 00	4.60
4-1-16	25 000 00	4.70
4-1-17	30 000 00	4.80
4-1-18	30 000 00	4.90
4-1-19	30 000 00	5.00
4-1-20	30 000 00	5.10
4-1-21	<u>40 000 00</u>	5.20
Total	<u>380 000 00</u>	

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	464 72	Ordinance	464 72
General	<u>1 877 78</u>	Current Tax Collection	<u>1 877 78</u>
Total	<u>2 342 50</u>	Total	<u>2 342 50</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Deferred Compensation Plan

The Township of Riley offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. Nationwide Life Insurance Company is an agent of the Township of Riley for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Riley's financial statements. Each person elects the amount to be withheld from their pay. Withholdings range from 3.75% to 25% of gross wages. The Township contributes 3.75% of each person's gross wages. During the year ended March 31, 2005, the Township's contribution was \$7,846.69.

Note 10 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes seventeen percent of each participating employee's wages to the plan. During the year ended March 31, 2005, the Township's retirement contribution was \$16,759.73.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$59,447.20 and building permit expenses of \$62,108.05.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	-	-	73 475 48	73 475 48
Licenses and permits	-	-	10 025 00	10 025 00
State revenue sharing	206 724 00	206 724 00	205 483 00	(1 241 00)
Charges for services	4 250 00	4 250 00	53 506 45	49 256 45
Interest	-	-	3 635 12	3 635 12
Special assessments	-	-	2 865 00	2 865 00
Miscellaneous	29 400 00	29 400 00	19 872 28	(9 527 72)
Total revenues	240 374 00	240 374 00	368 862 33	128 488 33
Expenditures:				
Legislative:				
Township Board	5 400 00	5 400 00	4 464 60	(935 40)
General government:				
Supervisor	15 800 00	15 800 00	14 859 28	(940 72)
Elections	3 300 00	4 930 23	4 930 23	-
Assessor	28 500 00	28 500 00	23 301 41	(5 198 59)
Clerk	19 185 00	19 185 00	18 847 34	(337 66)
Board of Review	1 850 00	1 850 00	1 592 47	(257 53)
Treasurer	26 285 00	26 879 78	23 283 38	(3 596 40)
Building and grounds	12 500 00	14 500 00	12 353 16	(2 146 84)
Unallocated	168 300 00	163 386 44	109 399 14	(53 987 30)
Public safety:				
Fire protection	52 646 73	52 646 73	48 785 73	(3 861 00)
Planning and zoning	15 000 00	15 000 00	8 838 00	(6 162 00)
Public works:				
Drains	2 300 00	2 988 55	2 988 55	-
Highways and streets	75 000 00	75 000 00	71 206 54	(3 793 46)
Street lights	3 800 00	3 800 00	3 487 23	(312 77)
Culture and recreation:				
Parks and recreation	33 268 08	33 268 08	31 841 48	(1 426 60)
Debt service	30 000 00	30 000 00	28 502 50	(1 497 50)
Total expenditures	493 134 81	493 134 81	408 681 04	(84 453 77)
Excess (deficiency) of revenues over expenditures	(252 760 81)	(252 760 81)	(39 818 71)	212 942 10
Fund balance, April 1	277 372 03	277 372 03	269 212 30	(8 159 73)
Fund Balance, March 31	24 611 22	24 611 22	229 393 59	204 782 37

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING PERMIT FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Licenses and permits	47 000 00	58 785 00	59 447 20	662 20
Interest	-	-	85 96	85 96
Total revenues	<u>47 000 00</u>	<u>58 785 00</u>	<u>59 533 16</u>	<u>748 16</u>
Expenditures:				
Public safety:				
Protective inspection	<u>47 000 00</u>	<u>58 785 00</u>	<u>62 108 05</u>	<u>3 323 05</u>
Total expenditures	<u>47 000 00</u>	<u>58 785 00</u>	<u>62 108 05</u>	<u>3 323 05</u>
Excess (deficiency) of revenues over expenditures	-	-	(2 574 89)	(2 574 89)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>7 697 08</u>	<u>7 697 08</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>5 122 19</u>	<u>5 122 19</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – WASTE DISPOSAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	90 00	90 00	680 58	590 58
Special assessments	<u>142 646 40</u>	<u>142 646 40</u>	<u>144 655 50</u>	<u>2 009 10</u>
Total revenues	<u>142 736 40</u>	<u>142 736 40</u>	<u>145 336 08</u>	<u>2 599 68</u>
Expenditures:				
Public works:				
Sanitation	<u>142 646 40</u>	<u>142 646 40</u>	<u>130 738 92</u>	<u>(11 907 48)</u>
Total expenditures	<u>142 646 40</u>	<u>142 646 40</u>	<u>130 738 92</u>	<u>(11 907 48)</u>
Excess of revenues over expenditures	90 00	90 00	14 597 16	14 507 16
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>94 656 72</u>	<u>94 656 72</u>
Fund Balance, March 31	<u><u>90 00</u></u>	<u><u>90 00</u></u>	<u><u>109 253 88</u></u>	<u><u>109 163 88</u></u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>9 792 68</u>	<u>2 650 753 51</u>	<u>2 655 502 21</u>	<u>5 043 98</u>
<u>Liabilities</u>				
Due to other funds	5 185 00	240 280 68	243 587 90	1 877 78
Due to others	<u>4 607 68</u>	<u>2 410 472 83</u>	<u>2 411 914 31</u>	<u>3 166 20</u>
Total Liabilities	<u>9 792 68</u>	<u>2 650 753 51</u>	<u>2 655 502 21</u>	<u>5 043 98</u>
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>47 589 97</u>	<u>50 203 02</u>	<u>54 663 62</u>	<u>43 129 37</u>
<u>Liabilities</u>				
Due to other funds	675 32	453 02	663 62	464 72
Due to others	<u>46 914 65</u>	<u>49 750 00</u>	<u>54 000 00</u>	<u>42 664 65</u>
Total Liabilities	<u>47 589 97</u>	<u>50 203 02</u>	<u>54 663 62</u>	<u>43 129 37</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>57 382 65</u>	<u>2 700 956 53</u>	<u>2 710 165 83</u>	<u>48 173 35</u>
<u>Liabilities</u>				
Due to other funds	5 860 32	240 733 70	244 251 52	2 342 50
Due to others	<u>51 522 33</u>	<u>2 460 222 83</u>	<u>2 465 914 31</u>	<u>45 830 85</u>
Total Liabilities	<u>57 382 65</u>	<u>2 700 956 53</u>	<u>2 710 165 83</u>	<u>48 173 35</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>9 792 68</u>
Cash receipts:	
Property taxes	2 623 084 95
Property tax administration fees	26 101 67
Interest	<u>1 566 89</u>
Total cash receipts	<u>2 650 753 51</u>
Total beginning balance and cash receipts	<u>2 660 546 19</u>
Cash disbursements:	
Armada Area Schools	109 721 96
Capac Public Schools	190 479 21
Macomb ISD	37 301 37
Memphis Community Schools	410 935 46
Yale Area Schools	13 968 70
St. Clair County	1 642 962 62
Township General Fund	109 011 44
Township Waste Disposal Fund	134 576 46
Refunds	<u>6 544 99</u>
Total cash disbursements	<u>2 655 502 21</u>
Cash in Bank – End of Year	<u>5 043 98</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 20, 2005

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the financial statements of the Township of Riley for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Riley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Riley
St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Riley began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Riley
St. Clair County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants